

**STATE RETIREMENT SYSTEM**  
**2000-2005 EXPERIENCE STUDY**

**Executive Summary**

In October, 2000, PERAC published the first experience study of the State Retirement System. That study looked at the experience over the five-year period from 1995-1999. Based on the results of that study, there were a number of changes made to the assumptions used to value the liabilities of the State Retirement System.

This study continues the analysis of the experience of the State Retirement System and covers the six-year period from 2000-2005. Based on the results of this study, we are recommending minor changes be made to most of the assumptions used to value the liabilities of the State Retirement System. These changes are detailed below.

**General Analysis**

The principal results of the six-year experience study can be summarized as follows:

*Experience indicates that changes should be made to the following assumptions:*

- Rates of retirement for Group 3 and Group 4 active members; negligible decrease in total plan cost
- Rates of disability for all active members; slight increase in plan cost
- Rates of withdrawal for all active members; slight decrease in total plan cost
- Rates of salary increases for active members; slight decrease in total plan cost

*No changes were made to the following assumptions:*

- Rates of retirement for Group 1 and Group 2 members
- Rates of mortality for retired members
- Rates of mortality for disabled members

*Nature and effect of changes:*

- Proposed changes are based on both actual past and anticipated future experience
- Overall, proposed changes produce a total plan cost slightly less than that under the current assumptions

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**Executive Summary (continued)**

**Specific Analysis**

**Retirement**

- For Group 1, propose leaving the rates unchanged due to Early Retirement Incentives offered in 2002 and 2003
- For Group 2, propose leaving the rates unchanged due to Early Retirement Incentives offered in 2002 and 2003
- For Group 3, propose decreasing or leaving the rates unchanged at most ages with slight increases at the other ages
- For Group 4, propose decreasing or leaving the rates unchanged at most ages with slight increases at the other ages
- Overall, the effect of the proposed assumptions would be a negligible decrease in total plan cost

**Disability**

- For Group 1, propose decreasing rates at all ages
- For Group 2, propose increasing rates for ages 45 and older and leaving the other rates unchanged
- For Group 3, propose decreasing or leaving the rates unchanged at most ages with slight increases at the other ages
- For Group 4, propose decreasing rates for ages less than 34 and increasing rates thereafter
- Propose increasing the percentage of disabilities assumed to be accidental (job-related)
- Proposed assumptions would slightly increase total plan cost

**Withdrawal**

- For Groups 1 and 2, propose increasing the rates for all years of service and most ages within each year of service
- For Group 3, propose leaving rates at years of service 0 to 9 unchanged and decreasing rates at 10 years of service and greater
- For Group 4, propose increasing rates at most years of service with decreases at the other ages
- Proposed assumptions would slightly decrease total plan cost

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**Executive Summary (continued)**

*Salary Increases*

- For Groups 1 and 2, propose extending the table to 20 years and decreasing the ultimate assumption to 4.5%. Also propose decreasing or leaving the rates unchanged at most years of service
- For Group 3, propose extending the table to 20 years and decreasing the ultimate assumption to 5.0% at 20 years. Also, propose decreasing rates except for years of service 3 to 5 which are unchanged
- For Group 4, propose extending the table to 20 years and decreasing the ultimate assumption to 5.0% at 20 years. Also, propose decreasing most rates while maintaining the rates of 3-9 years of service
- Proposed assumptions slightly decrease total plan cost

*Post-Retirement Mortality*

- Propose leaving these rates unchanged
- Proposed assumptions would have no impact on total plan cost